

## **FREQUENTLY ASKED SBALOWDOC QUESTIONS**

- Q1. What enhancements has SBA made to the LowDoc program?
- A1. a) Increased the maximum loan amount to \$150,000  
b) Made the application only 1 sheet, regardless of the loan amount  
c) Response time reduced to 36 hours
- Q2. Why did SBA increase the LowDoc maximum loan amount to \$150,000?
- A2. The Agency determined that small businesses needing access to capital in this amount or less are under served and need better access to credit in these amounts.
- Q3. Will SBA raise the maximum amount again?
- A3. Nothing of this nature is under discussion at this time, but this is a possible option if the need is found to exist.
- Q4. How does SBA expect this increase to impact on LowDoc loan volume?
- A4. There is no sure way of knowing, but volume is expected to increase significantly.
- Q5. How can SBA expect to respond in 36 hours when response time increased so dramatically from the three-business-days goal after centralization of the processing function?
- A5. The backlog has been eliminated, and the response time has already been reduced to 36 hours, presuming consecutive business days. This has been achieved by implementation of new policies, more streamlined procedures, use of the latest technology, and better monitoring of volume and production for better utilization of resources.
- Q6. What caused the backlog?
- A6. A combination of factors contributed to it. The primary cause was incomplete loan applications combined with attempts to provide customer service by trying to obtain the information to complete them instead of returning them quickly.
- Q7. How will SBA maintain the new goal of responding within 36 hours considering the expected increase in loan volume?
- A7. A new LowDoc application, a standardized Authorization, use of credit scoring, increased staffing and changes in policies and procedures are just some of the ways

that the challenge of responding to all loan requests within 36 hours is being met. The Agency has a very strong commitment to maintaining this goal.

Q8. Why did SBA revise the LowDoc application?

A8. The revisions provide more information on which to base the credit decision and maximize the benefits of credit scoring.

Q9. How heavily does SBA rely on the credit score in reaching its credit decision?

A9. The credit score is not the basis for the credit decision. It is an indicator to determine the extent of SBA's review. Less need to closely analyze the loan application exists when the credit score is high. More reliance is given to the lender's analysis and recommendation to approve when the credit score is high. Also, less analysis is necessary when the score is low and decline is the recommendation.

Q10. Will other technology or uses of technology be employed in the future to maintain service provided by the LowDoc program?

A10. Yes, an electronic application process and automated preparation of Authorizations are currently under development. Other technology and uses of technology will be implemented if sufficient benefit is determined.

Q11. Will the technology and procedures used in LowDoc be used in other SBA loan programs?

A11. LowDoc is a pilot that can be used to test new technology and uses of same and also new policies and procedures. Those that have beneficial application for other programs will be implemented in those other programs as appropriate.

Q12. Why has SBA invested so heavily in technology and expeditious processing procedures?

A12. SBA strongly desires to provide the best possible service to applicants, borrowers, and lenders. Private sector lenders have been providing faster responses on loan applications for some time. SBA feels it is appropriate that the Agency follow suit, to the extent possible, for the benefit of the small business community. This is in keeping with the Agency's goal of becoming a 21st century leading edge financial institution.

Q13. Will lenders be required to use the electronic application process?

A13. Some lenders do not have personal computers. Others do but are not on the Internet. SBA values the participation of all lenders participating in its loan

programs. The electronic application process is available to those lenders that wish to utilize it, but lenders are under no obligation to use it now or in the future. However, we recommend using it because it enables faster responses.

Q14. Will the new LowDoc loan application and the standardized Authorization be available on the Internet?

A14. They are already available on the Internet through SBA's Homepage at [www.sba.gov/banking](http://www.sba.gov/banking).

Q15. What are the target markets of the LowDoc program?

A15. The overall target market is small businesses and entrepreneurs wanting to start small businesses which need to borrow amounts of \$150,000 or less. SBA particularly wants to target under served markets such as small businesses owned or being started by eligible, credit worthy women and minorities and small businesses located in rural and labor surplus areas.

Q16. Concerns have been voiced over the credit quality of the LowDoc portfolio. How will SBA maintain quality credit standards?

A16. SBA is closely monitoring the LowDoc loan portfolio performance for this very purpose. It is implementing a review process to identify and isolate causes of poor performance to implement corrective action to shore up and maintain credit quality.

Q17. What types of corrective action are envisioned?

A17. Corrective action can take several forms including changes in policies and procedures, additional training of SBA personnel and lenders or other actions as circumstances warrant.

Q18. How does LowDoc program performance compare with other SBA 7(a) loans?

A18. LowDoc delinquencies and charge-offs are higher by volume than 7(a) loans exceeding \$100,000 but a little lower than other 7(a) loans of \$100,000 or less. Monitoring and reviews of lenders and the two processing centers should help the Agency improve performance of these loans.

Q19. Is a review system in place?

A19. The review system has been developed and is being initiated with the rollout of these enhancements.

Q20. How will field offices be involved in LowDoc?

- A20. Field offices have several important roles in the success of the LowDoc program. They manage the overall relationship with the lenders - marketing the program, providing training and other support to lenders, handling reconsideration of declined LowDoc applications, and performing reviews of lender case files.
- Q21. Can a declined LowDoc application receive reconsideration as a LowDoc from a LowDoc processing center?
- A21. LowDoc centers will handle loans screened out for lack of incompleteness or withdrawn for lack of credit information as long as these matters can be resolved in no more than two days. They will not reconsider declined LowDoc applications.
- Q22. Can a declined LowDoc application receive reconsideration under LowDoc criteria at all?
- A22. Yes, depending upon the reason(s) for decline, field offices can provide further consideration under LowDoc if the issue or issues are simple and can be easily resolved. Lenders have 30 days from the date of the decline letter by an LDPC to submit a request of this nature. If the issue is not simple or can not be easily resolved, in the sole discretion of the LDPC, further consideration after decline requires submission of a complete 7(a) loan application and consideration under regular 7(a) procedures. Lenders have six months from the date of the decline letter by an LDPC to submit a request for further consideration under regular 7(a).
- Q23. Where can I get more information about the LowDoc loan program and the enhancements?
- A23. Additional information is available from several sources such as your field office, the SBA's homepage on the Internet, Appendix 5 of SOP50-10(4)(A) which is the LowDoc Program Guide, and informational brochures provided by SBA.